

HLA Venture Flexi Fund (HLAVFF)

Sep 2018

Fund Features

1. Investment Objective

The objective of the fund is to provide investors the opportunity to enjoy medium to long-term capital appreciation from the prevailing sectorial and investment themes in Malaysian equities market.

2. Investment Strategy & Approach

The fund would be actively managed, rotating between sectors deemed to benefit the most at any given point in time, and would comprise several Core Sectors and Trading / Rotational Sectors which would vary depending on prevailing market conditions. The strategy will be to identify the themes in its early phase to capitalize on its growth. This fund is suitable for aggressive investors who are willing to take higher risk and wish to seek higher returns from a diversified portfolio with thematic investment opportunities.

3. Asset Allocation

The fund will invest a minimum of 30% and up to 95% of its NAV in equities.

4. Target Market

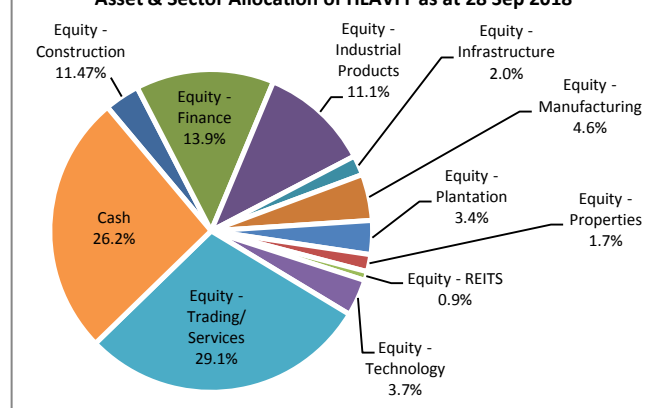
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Fund Details

Unit Price (28/9/2018)	: RM0.9580
Fund Size (28/9/2018)	: RM56.2mil
Fund Management Fee (effective as at 01/09/2016)	: 1.45% p.a. (capped at 1.48%)
Fund Manager	: Hong Leong Assurance Berhad
Fund Category	: Equity
Fund Inception	: 06 April 2009
Benchmark	: FTSE Bursa Malaysia KLCI Index (FBM KLCI)
Frequency of Unit Valuation	: Daily

The Company reserves the right to change the cap of Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice. The Fund Management Fee will be reviewed monthly and will be revised if the previous month end actual asset allocation deviates by more than ten percent (10%) of the initial asset allocation.

Asset & Sector Allocation of HLAVFF as at 28 Sep 2018



Top 10 Holdings for HLAVFF as at 28 Sep 2018

	%
1. MAYBANK	7.0
2. CIMB	6.9
3. MYEG	4.8
4. INARI	4.6
5. TENAGA	4.1
6. YINSON	3.3
7. AXIATA	2.4
8. PCHEM	2.4
9. MMSV	2.3
10. GENM	2.2
Total Top 10	39.9

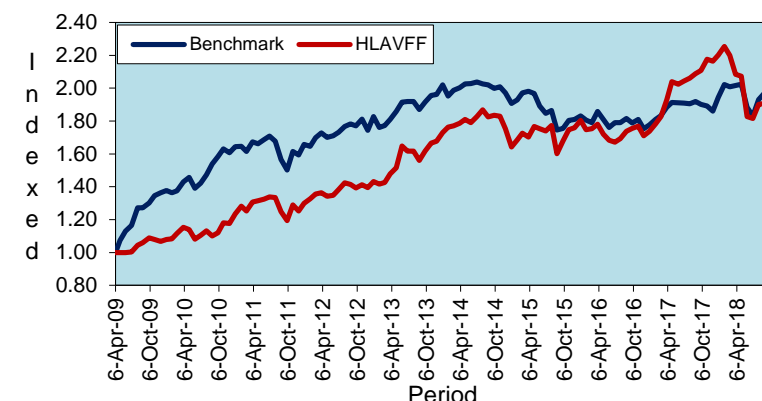
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Historical Performance



	YTD	1 month	1 year	3 years	5 years	Since Inception
HLAVFF	-13.00%	0.42%	-9.12%	14.06%	18.51%	91.60%
Benchmark*	-0.20%	-1.46%	2.14%	10.62%	1.39%	94.11%
Relative	-12.80%	1.88%	-11.26%	3.44%	17.12%	-2.51%

*Source: Bloomberg

Market Review, Outlook & Strategy

During the month investors had to contend with continuing turmoil in Emerging Markets. Apart from the currency meltdown in Argentina, Turkey, South Africa and India, the contagion had now spread to South East Asian markets with the Indonesia Rupiah and Philippine Peso coming under tremendous selling pressure. This brought to mind comparisons with the Asian Financial Crisis which was also precipitated by the sharp depreciation of the Thai Baht in 1997.

Simultaneously, the global trade environment has become increasingly factionalised when US decided to proceed with imposing a 10% tariff on US\$200b worth of exports from China effective 24th September with the rate increasing to 25% in January 2019. China in turn retaliated by hiking 5-10% duties on US\$60b worth of US imports and called off the trade talks with the US. Meanwhile, the US and Canada also failed to agree on the new North America Free Trade Agreement. During the month, the US Federal Reserve raised interest rates by 25 bps to 2.25% in line with market expectations. Market now anticipates another rate hike in December and three more hikes in 2019 on the back of the strong underlying US economy.

On the domestic front, the sales and services tax (SST) came into effect on 1st September. Bank Negara Malaysia also kept its overnight policy rate unchanged at 3.25%, cautioning on increasing risk to global growth and greater volatility in the financial markets as well as rising capital outflows from emerging markets. The Ringgit depreciated by close to 1% mom against the US\$ to close at RM4.1383 as at end of September. Oil price continued its upward trajectory to above US\$70/barrel after sanctions by US on Iran's exports while Russia and OPEC did not unveil any further plans to increase production. Petronas also announced that it would raise its dividend payment by 50% to RM24b this year and has plans to increase upstream capex in Malaysia to RM15b this year from RM12b last year which should bode well for the local O&G scene.

During the month, the KLCI declined by 1.5% mom to close at 1,793.15pts. The broader markets outperformed the KLCI with smaller declines. FTSE Emas Shariah was down 1% mom, FTSE Small Cap Index declined by 0.6% mom and FTSE Emas was down 1.5% mom.

Going into October, investors will likely keep a close watch on the latest developments between the US and China for signs of increasing trade tensions, leading to a potential full blown trade war. Domestically, the Malaysian economy is expected to slow down on the back of the pullback of mega infrastructure projects and also potentially softer consumer and business sentiment post the implementation of the SST. As the government undertakes a more disciplined approach towards fiscal spending, there is unlikely to be any major announcements in the upcoming Budget 2019. Potentially there could be higher excise duties, gaming tax and even soda tax to be announced. As such we will continue to stay defensive focusing on companies with sustainable earnings and dividend yield.

HLA Venture Flexi Fund (HLAVFF)

Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2013	2014	2015	2016	2017
Benchmark	10.5%	-5.7%	-3.9%	-3.0%	9.5%
HLAVFF- Gross	24.1%	-3.9%	12.2%	-2.4%	30.6%
HLAVFF - Net	20.8%	-5.0%	9.8%	-3.7%	26.7%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past five (5) years, or since inception if shorter, and are strictly the performance of the investment-linked fund. Thus, the returns are not earned on the actual premium paid of the investment-linked product.

Investment Risks

All investments carry risks. Policy Owners must be prepared to accept certain degree of risk associated with this Investment. The following are the non-exhaustive list of risks associated to this fund.

1. Market Risk

Market risk stems from the fact that there are other economy-wide perils, which threaten all businesses. It is mainly caused by uncertainties in the economy, political and social environment.

2. Liquidity Risk

Liquidity risk is the risk that the fund invested cannot be readily sold and converted into cash. This may arise when the trading volume is low and/or where there is a lack of demand for the security.

3. Credit Risk

This refers to the possibility that the issuer of a security will not be able to make timely payments of interest or principal repayment on the maturity date. The default may lead to a fall in the value of the funds.

4. Interest Rate Risk

The level of interest rates has an impact on the value of investments. Any increase in rates will lead to a fall in the value of securities, thus affecting the value of the funds.

5. Country Risk

The foreign investment of a fund may be affected by the political & economic conditions of the country which the investments are made.

6. Currency Risk

This risk is associated with investments that are denominated in foreign currencies. Fluctuation in foreign exchange rates will have an impact on the value of the funds.

Risk Management

The Company has in place its Authorized Investment Framework which forms part of the Risk Management process. The authority framework will cover the nature and scope of the investment authority that is exercisable by various parties in managing the Company's investments. Besides this, sensitivity and stress testing is conducted to inform the Company's management the profit & loss profiles of their investments under different pre-defined risk scenarios and the necessary action to be taken if the potential losses exceed the Company's risk tolerance level.

Basis of Unit Valuation

- The assets of every fund are to be valued to determine the value at which units of a particular fund can be liquidated or purchased for investment purposes.
- The unit price of a unit of a fund shall be determined by the Company but in any event shall not be less than the value of fund of the relevant fund (as defined below), divided by the number of units of the given fund in issue on the business day before the valuation date, and the result adjusted to the nearest one hundredth of a cent.
- The maximum value of any asset of any fund shall not exceed the following price:
 - The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
 - In the case of securities for which market values are not readily available, the price at which, in our Investment Manager's opinion, the asset may have been purchased on the business day before the valuation date; plus any expenses which would have been incurred in its acquisition.
- To ensure fair treatment to all unit holders, the cost of acquiring and disposing of assets is recouped by making a transaction cost adjustment to the net asset value per unit.

Exceptional Circumstances

The Company reserves the right to defer the payment of benefits (other than death benefit) under this Policy for a period not exceeding six (6) months from the date the payment would have been normally effected if not for intervening events such as temporary closure of any Stock Exchange in which the fund is invested which the Company, in its discretion, may consider exceptional.

Basis of Calculation of Past Performance

The historical performance of the fund is calculated based on the price difference over the period in consideration compared to the older price of the period in consideration.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

Others

HLA Venture Flexi Fund is managed by Hong Leong Assurance Berhad (HLA). Any amount invested in this fund is invested by HLA on behalf of Policy Owner in equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instruments defaults or insolvent, the Policy Owner risks losing part or all of his/her amount that were invested into the instruments on his/her behalf by HLA.

THIS IS AN INSURANCE PRODUCT THAT IS TIED TO THE PERFORMANCE OF THE UNDERLYING ASSETS, AND IS NOT A PURE INVESTMENT PRODUCT SUCH AS UNIT TRUSTS.

Disclaimer:

Policy Owner must evaluate your options carefully and satisfy yourself that the investment-linked fund chosen meets your risk appetite. Past performance of the fund is not an indication of its future performance. The intention of this document is to enable Policy Owner to better understand the fund features and details in order to assist Policy Owner to making an informed decision. This document shall not be construed as professional advice on investment choices.